

SUPPORTING STATEMENT
Basis Reporting by Securities Brokers and Basis determination for
Debt Instruments and Options
OMB No. 1545-2186

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

The collection of information in §§1.6045-1(c)(3)(xi)(C) and 1.6045A-1 is necessary to allow brokers that effect sales of transferred covered securities can determine and report the adjusted basis of the securities and whether any gain or loss with respect to the sale is long-term or short-term in compliance with section 6045(g) of the Internal Revenue Code. The collection of information is required to comply with provisions of section 403 of the Energy Improvement and Extension Act of 2008, Division B of Pub. L. 110-343. Information collection requirements contained in §1.6045-1(n)(5) relates to the furnishing of information in the connection with the sale or transfer of a debt instrument that is covered security.

Under section 6045(g), a broker is required to determine and report the adjusted basis upon the sale or transfer of a debt instrument that is a covered security. If a sale has occurred, a broker must also determine and report whether any gain or loss with respect to the debt instrument is long term or short term in compliance with section 6045(g). The holder of a debt instrument is permitted to make a number of elections that affect how basis is computed. To minimize the need for reconciliation between information reported by a broker to both a customer and the IRS and the amounts reported on the customer's tax return, a broker is required to take into account certain specified elections in reporting information to the customer. A customer, therefore, must provide certain information concerning an election to the broker in a written notification, which includes a writing in electronic format.

2. USE OF DATA

The adjusted basis information will be used for audit and examination purposes. The likely respondents are recipients of Form 1099-B. The information will not be furnished to the IRS at the time of transfer. It will only be furnished to brokers and others so that the broker that ultimately affects the sale of a transferred covered securities can report information on Form 1099-B that would otherwise not be known by the broker because the broker did not effect the purchase of the security or open the short sale for the security.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

There are no plans to provide electronic filing because the information is not reported to the IRS at the time of transfer. Regulations adopted the statutory requirement that brokers furnish the statement in writing but, in §1.6045A-1(a)(2), (b)(1), permit brokers to use electronic or other means to furnish information between each other upon their mutual agreement.

4. EFFORTS TO IDENTIFY DUPLICATION

We have attempted to eliminate duplication within the agency wherever possible.

5. METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER SMALL ENTITIES

Not applicable.

6. CONSEQUENCES OF LESS FREQUENT COLLECTION ON FEDERAL PROGRAMS OR POLICY ACTIVITIES

Not applicable.

7. SPECIAL CIRCUMSTANCES REQUIRING DATA COLLECTION TO BE INCONSISTENT WITH GUIDELINES IN 5 CFR 1320.5(d)(2)

Not applicable.

8. CONSULTATION WITH INDIVIDUALS OUTSIDE OF THE AGENCY ON AVAILABILITY OF DATA, FREQUENCY OF COLLECTION, CLARITY OF INSTRUCTIONS AND FORMS, AND DATA ELEMENTS

The public will be provided an opportunity to comment on the temporary regulation (REG-154563-12) set forth in the Proposed Rules section on the date of publication of the subject rulemaking. A notice of proposed rulemaking was published November 25, 2011, in the *Federal Register* at 76 FR 72652 (REG-102988-11) relating to information reporting by brokers, transferors, and issuers of securities under section 6045, 6045A, and 6045B for debt instruments and options. Burden identified in the November 25, 2011, NPRM impacted information collection instruments not claimed under this information collection request.

9. EXPLANATION OF DECISION TO PROVIDE ANY PAYMENT OR GIFT TO RESPONDENTS

Not applicable.

10. ASSURANCE OF CONFIDENTIALITY OF RESPONSES

Generally, tax returns and tax return information are confidential as required by 26 USC 6103.

11. JUSTIFICATION OF SENSITIVE QUESTIONS

Not applicable.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

26 CFR Part	# Respondents	Total Annual Responses	Total Annual Burden Hours
1.6045-1(c)(3)(xi)(C) and 1.6045A-1	30,000	4,000,000	240,000
1.6045-1(n)(5)	11,500	11,500	1,417
Totals	41,500	4,011,500	241,417

Information collection requirements in §§1.6045-1(c)(3)(xi)(C) and 1.6045A-1 allows brokers that effect sales of transferred covered securities to determine and report the adjusted basis of the securities and whether any gain or loss with respect to the securities is long term or short term. Information collection requirements under §1.6045-1(n)(5) is in connection with the sale or transfer of a debt instrument that is a covered security.

Estimates of the annualized cost to respondents for the hour burdens shown are not available at this time.

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

Estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information are not available at this time.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

Not applicable.

15. REASONS FOR CHANGE IN BURDEN

Information collection requirements under §1.6045-1(n)(5) relates to the furnishing of information in connection with the sale or transfer of debt instrument that is a covered security are being codified under 26 CFR 1. This new burden associated with this paragraph will increase the burden by 1,417 hours; for total burden request of 241,417 hours due to program change.

16. PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION

Not applicable.

17. REASONS WHY DISPLAYING THE OMB EXPIRATION DATE IS INAPPROPRIATE

We believe that displaying the OMB expiration date is inappropriate because it could cause confusion by leading taxpayers to believe that the regulations sunset as of the expiration date. Taxpayers are not likely to be aware that the Service intends to request renewal of the OMB approval and obtain a new expiration date before the old one expires.

18. EXCEPTIONS TO THE CERTIFICATION STATEMENT ON OMB FORM 83-I

Not applicable.

Note: The following paragraph applies to all of the collections of information in this submission:

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid OMB control number. Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by 26 U.S.C. 6103.